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SUBJECT: BRIEFING ON OUTCOME OF P5+1 TALKS WITH IRAN IN  
GENEVA OCTOBER 1

REF: SECSTATE 103219

Classified By: Political Minister Counselor Barbara Leaf, Reasons 1.4 (B) and (D)

11. (SBU) Post delivered reftel points on the outcome of the October 1 P5 1 talks to Gulf States Office Director Stefano Queirolo Palmas and Non Proliferation Office Director Giovanni Pugliese.

12. (S) Both officials had received readouts from NY and elsewhere, but were grateful for the information and happy to listen for any new language. Both assured poloff that the GOI was very much on board with the dual track approach and prepared to remain vigilant and adopt new sanctions. Both, however, brought up Italy's long-standing gripe over exclusion from the P5 1, noting that should P5 1 discussions turn into a broader dialogue with Iran, Italy would have a difficult time not having a seat at the table, a situation Queirolo Palmas equated with "taxation without representation." Palmas estimated that in the unlikely event the full range of possible sanctions options were applied, the cost to Italy would be huge, a figure he put at one billion euros. (Comment: In 2007 total Italian exports to Iran were approximately 1.9 billion euros. That is less than one percent of total Italian exports. Iranian debts owed to Italian firms, is in the 1.3 billion Euro range, again, almost macroeconomically insignificant for Italy. Palmas and other MFA officials may think that a billion Euros is a lot of money for Italy, but it is not.) Pugliese mused on the "mistake" the GOI had made in refusing to participate in the P5 1 group some years back.

13. (S) With regard to sanctions options, Queirolo Palmas echoed Deputy Director General Formica's concern regarding diplomatic isolation (reftel Rome 1125), noting that in his estimation it was a "useless tool," and would be ineffective, as the Iranians "didn't care."

14. (C) Queirolo Palmas also reflected on the current situation inside Iran, sharing the view that the regime had so drastically reduced its base of support, and lost so much legitimacy, that it was not surprising it would be ready to "strike a deal" with the west, since it "can't fight on all fronts." While previously, the regime was "articulated in many directions" -- the religious community around Qom, the social justice segment, anti-colonialists, and others who together had formed a "proud nationalist whole" -- now civilians, mainly veterans of the Iran-Iraq war, had hijacked power to form a "civilian dictatorship." Change, he said, "could only come from within," although given the regime's monopoly on force, "the opposition can't do anything." The regime's base was now shrunken to "those who had faced Saddam on the battle field" -- the Basij, the Pasdaran and other veterans of the Iran-Iraq war -- and no longer had the support of the religious community; Khamenei, in his view, seemed to be seeking to pass power to his son. He concluded by noting that the regime's actions in Geneva had been "smart," giving assurances to the outside world while

bringing a reactor into compliance.  
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